

May 28, 2010

WASHINGTON, D.C. -- Today, Congressman Joe Sestak (PA-07) voted to extend key tax credits to create jobs and encourage innovation and to extend provisions assisting the unemployed. Congressman Sestak voted for the amended version of H.R. 4213, the American Jobs and Closing Tax Loopholes Act, which the House passed by a vote of 215 to 204. The bill will play a critical role in initiatives to create jobs and put more money in the pockets of working families. Importantly, tax extension provisions of the bill are entirely paid for by beginning to close tax loopholes for investment fund managers and for corporations that shelter profits overseas. The bill now awaits further action in the Senate.

“Our action today extends critical incentives for high-tech job creation by continuing the credits for companies that invest in cutting-edge, green technologies,” said Congressman Sestak. “Additionally, the bill helps American working families by extending property tax relief and deductions for college tuition, among other important provisions.”

Although he supported the bill, Congressman Sestak strongly opposed the exclusion of temporary increased Medicaid payments to states. This provision passed the House in December as part of H.R. 2847, the Jobs for Main Street Act, and was originally included in the earlier version of the Tax Extender's package.

"Denying this crucial emergency assistance to states, who are facing cumulative \$180 billion deficits starting July 1st, is unconscionable," said Congressman Sestak. "We should be ensuring states have the assistance they need to avoid devastating cuts that will kill as many as 900,000 jobs overall and eliminate crucial health and education programs, according to the non-partisan Center for Budget and Policy Priorities. Congress must step in, with short term emergency assistance, where the states cannot to help maintain our economic recovery. We cannot afford to hobble this recovery in a shortsighted feint toward fiscal responsibility."

Importantly, H.R. 4213 includes an extension of unemployment compensation through November of this year. Furthermore, the bill prevents a significant reduction in the rate at which doctors are reimbursed by Medicare and TRICARE. Congressman Sestak strongly believed that this provision should have been paid for. Congressman Sestak also believes more loopholes should have been closed and Congress should have determined a means to pay for other important provisions needed in the bill, including COBRA and Medicaid payment to states.

The bill extends an additional \$5 billion in tax cuts for individuals and families. Specifically, H.R. 4213 includes the following provisions, which are fully paid for by closing tax loopholes abused by large corporations and wealthy investment fund managers:

- **State and local sales tax deduction:** The bill would provide \$1.8 billion of state and local sales tax relief for 12 million families.
- **Tuition deduction:** The bill would provide \$1.6 billion of tax relief for 4.4 million families better afford college that claim a deduction for qualified tuition expenses.
- **Deduction for teachers' out-of-pocket expenses:** The bill would provide more than \$200 million of assistance for the 3.6 million teachers who spend money on classroom expenses out of their own pockets.
- **Additional standard deduction for real property taxes:** The bill would provide up to 30 million homeowners with property tax relief totaling \$1.5 billion.

H.R. 4213 also will directly create jobs through extending the lifetime of important provisions of the American Recovery and Reinvestment Act, including the Temporary Assistance for Needy Families Emergency Contingency Fund (TANF ECF). Congressman Sestak has advocated an extension of the TANF ECF for many months, including introducing legislation to extend its lifetime for an additional two years beyond its statutory sunset on September 30, 2010. The TANF ECF will help create 20,000 jobs in Pennsylvania by the end of this summer.

“The TANF ECF has been an extremely successful aspect of our stimulus efforts and is just now getting up to speed,” Congressman Sestak said. “By voting to extend the lifetime of this fund, we are not only creating more jobs in Pennsylvania and across the United States, but we are also ensuring that our economy fully benefits from the provisions of the Recovery Act.”

Congressman Sestak voted for the bill because of the support it provides to working families, but was disappointed that not all non-emergency provisions of the legislation were paid for. It is important to note that the portion of the bill relating to tax extensions is paid for by closing loopholes in the tax code that have unfairly benefited multinational corporations and fund managers. Specifically, the bill would prevent utilization of foreign tax credits unless the income on which the foreign income tax was paid is repatriated to the U.S. The bill also begins to close a loophole, known as “carried interest” which allows investment fund managers to have their income taxed at the lower capital gains rate, rather than standard income tax rates.

“Because we need to make clear progress in reducing our deficit, I believe that the carried interest loophole should have been fully closed -- raising an additional \$10 billion in revenue over the next 10 years” Congressman Sestak said. “Ultimately, I voted for the bill, despite the fact that the carried interest loophole was not fully closed because it was imperative that the critical programs and tax cuts for small businesses and working families extended in this legislation did not lapse.”

See below for further information on the tax extender provisions of H.R. 4213.

Tax Extensions for Individuals

The measure extends through 2010 the following provisions that are aimed primarily at individuals, at a cost of \$5.7 billion over 10 years:

- The deduction for state and local sales taxes in lieu of state income taxes, at a cost of \$1.8 billion over 10 years.
- The "above-the-line" deduction for qualified tuition and other related expenses, worth up to \$4,000, which would have a 10-year cost of \$1.5 billion.
- The "above-the-line" deduction for teachers for up to \$250 in out-of-pocket classroom expenses, at a cost of \$215 million over 10 years.
- The standard deduction for real property taxes created in 2008 for those who do not

itemize their tax deductions, which is up to \$500 for an individual return and up to \$1,000 for a joint return, at a cost of \$1.6 billion over 10 years.

- A rule that allows those aged 70-and-a-half, or older, to make up to \$100,000 in tax-free distributions to charities from their individual retirement accounts, at a cost of \$627 million over 10 years.

Additional Tax Extensions

The measure extends several tax provisions aimed primarily at businesses, at a 10-year cost of \$20 billion, including:

- The deduction for research and development expenditures, at a cost of \$6.7 billion over 10 years.
- The ability of businesses to temporarily utilize unused alternative minimum tax (AMT) credits determined by domestic investment, at a cost of \$2.3 billion over 10 years.
- The five-year period over which the cost of certain farming equipment and machinery could be recovered, which would cost \$798 million over five years, but would be revenue-neutral over 10 years.
- The "look through" treatment of certain payments, such as interests, dividends, rents or royalties, made between controlled foreign companies with a common parent under foreign personal holding company rules, at a cost of \$574 million over 10 years.

The measure extends several tax provisions aimed primarily at Charitable & Community Development Initiatives, at a 10-year cost of \$3.4 billion, including:

- Special tax incentives for businesses and individual residents within economically-depressed census tracts known as Empowerment Zones, at a cost of \$304 million over 10 years, as well as within economically-depressed census tracts known as Renewal Communities, at a cost of \$621 million over 10 years.
- Various provisions concerning charitable donations, such as enhanced deductions for donating certain computer equipment and software for educational purposes (10-year cost: \$195 million), enhanced deductions for certain food donations (10-year cost: \$78 million), basis adjustments for S-corporations that donate property (10-year cost: \$39 million), and enhanced deductions for certain contributions of book inventories to schools (10-year cost: \$31 million).

Infrastructure Provisions

- Build America Bonds: The measure extends the Build America Bonds program through January 1, 2013. It reduces the rate of payment to issuers of direct-payment Build America Bonds to 32% for government capital project financing bonds issued during 2011 and to 30% for bonds issued during 2012.
- Extension of Recovery Zone Bond Authority: The measure extends Recovery Zone Bond authority for an additional year, through Dec. 31, 2011. It provides for additional allocations of \$10 billion in Recovery Zone economic development bond authority, and \$15 billion in Recovery Zone facility bond authority.
- Bonds for sewage and water supply facilities: The measure provides that the volume cap for private activity bonds would not apply to bonds for facilities for the furnishing of water and sewage facilities. The provision would apply to obligations issued after the date of enactment.